

John Taolo Gaetsewe

District Municipality



FINANCIAL STATEMENTS

30 JUNE 2010

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John Taolo Gaetsewe District Municipality
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The **John Taolo Gaetsewe District** Municipality includes the following areas:

Gamagara Local Municipality
Ga-Segonyana Local Municipality
Moshaweng Local Municipality

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Speaker

Executive Councillor

Executive Councillor

Executive Councillor

Executive Councillor

S.B. Gaobusiwe

S. Mosikatsi

O.C. Mogodi

M.Eilerd

M.E.Mochwari

L.J.Mothlaping

MUNICIPAL MANAGER

Sipho Abednigo Sebusho

CHIEF FINANCIAL OFFICER

Sharona French-Sulliman

REGISTERED OFFICE

P.O. Box 1480

KURUMAN

8460

AUDITORS

Auditor-General

Private Bag X 5013

Kimberley

8300

PRINCIPLE BANKERS

ABSA BANK

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

MEMBERS OF THE MUNICIPALITY

COUNCILLOR

Proportional	S.B. Gaobusiwe
Proportional	S. Mosikatsi
Proportional	O.C. Mogodi
Proportional	M. Eilerd
Proportional	M.R. Shuping
Proportional	K.V. Gondwe
Proportional	M.M. Matebesi
Proportional	P. Leserwane
Delegated from Gamagara	O. Nampe
Delegated from Ga-Segonyana	T.E. Meyers
Delegated from Ga-Segonyana	O.A. Gaetsewe
Delegated from Ga-Segonyana	M. Brink
Delegated from Ga-Segonyana	K.G. Mosikatse
Delegated from Moshaweng	L. Motlhaping
Delegated from Moshaweng	E. Mochwari
Delegated from Moshaweng	O.H. Kgopodithate
Delegated from Moshaweng	T.L. Seikaneng

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 65 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

S.A. Sebusho
Municipal Manager

Date

REPORT OF THE CHIEF FINANCIAL OFFICER

1. Introduction

The Municipality delivered a strong set of financial results for the year ended 30 June 2010 despite the increase demands made on the municipality's financial resources.

The municipality continued its endeavor to improve service delivery by increasing the project expenditure from R 33.8 million in the previous year to R 79.4 million in the year under review.

A Comparison of actual results to the approved budget and explanations of material differences, are set out in the Annual Financial statements as per Appendix E (1).

2. Operating Results

Details of the 2009/10 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and Appendix D & E.

The total expenditure as at 30 June 2010 amounts to R171,786,680 and the income was R204,432,949. The operating results ended with a surplus of R32,431,552..

2.1 Operating Revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- Property Rates
- Service Charges made up as follows:
 - Electricity
 - Water sales
 - Waste Management(Sewerage and Sanitation)
- Government Grants and Subsidies
- Other Minor Income sources

2.2 Operating Expenditure

The pro-active management control and containment of costs remains a key priority of the municipality. To support this initiative council approved cash flow management strategy. Staff costs is still the main category of expenditure and increase from R34 million to approximately R35.8 million.

Further detailed is contained in notes 27 to 34 of the Annual Financial Statements.

3. Statement of Financial Position

For the period under review the net assets increased from R73 million to R 103 million. This increase is attributable to increase in the donation and public contribution reserve (a reserve established by Council for all assets donated by Public and other institution).

4. Cash Flow

The cash flow position of the municipality improved during 2009/10 financial year. Almost 80% of the cash at 30 June relates to spent conditional grants receipts.

5. Capital Expenditure

The increase in Capital expenditure was mainly due to the donation of assets from Hotazel. The total acquisition of assets was R 6 846 237. The following table indicated a breakdown of the capital expenditure.

DESCRIPTION	AMOUNT
Buildings	R 117 148
Infrastructure	R 6 443 859
Other Assets	R 269 175

The non-current liabilities increased from R 17, 1 million to R 17, 9 million in 2009/10. The increase of R 800,000 is due to the increase in the provision for Post-Retirement Health Care Benefits.

Further, the non-current assets increased from R 88, 8 million to R 111, 7 million, mainly due to donation of assets from Hotazel.

6. Status of Financial Controls

Accounting controls are in place and all financial registers, subsidiary ledgers, bank reconciliation, etc are performed daily/monthly. The municipality also met all its statutory obligations such as VAT, PAYE, UIF, etc during the 2009/10 financial year.

7. Expression of Appreciation

I wish to convey my sincere appreciation to the Executive Mayor, Mayoral Committee, the Chairperson and Members of the Finance portfolio committee, the Audit Committee and Management team for their support and co-operation received during the year.

A special word of gratitude to all Budget & Treasury Office staff for their support, dedication and contribution.

Finally, a further word of thanks to everybody for the hard-work, sacrifices and concerted effort during the year to enable the municipality to finalize these financial statements within the prescribed period.

SS French-Sulliman
Chief Financial Officer

John Taolo Gaetsewe District Municipality

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		100 036 325	73 316 174
Capital Replacement Reserve	2	173 017	-
Donations and Public Contribution Reserve	2	65 663 282	43 279 599
Self Insurance Reserve	2	950 000	800 000
Revaluation Reserve	2	11 359 379	11 690 944
Accumulated Surplus/(Deficit)		21 890 647	17 545 631
Non-Current Liabilities		17 997 145	17 133 556
Long-term Liabilities	3	4 308 084	4 464 002
Non-current Provisions	4	13 689 061	12 669 554
Current Liabilities		29 450 882	19 980 482
Provisions	5	4 045 820	3 296 007
Trade and Other Payables	6	7 568 605	4 319 346
Unspent Conditional Government Grants and Receipts	7	17 675 361	12 195 820
Current Portion of Long-term Liabilities	3	161 096	169 309
Total Net Assets and Liabilities		147 484 352	110 430 212
ASSETS			
Non-Current Assets		110 460 891	88 879 446
Property, Plant and Equipment	10	108 257 004	87 167 801
Investment Property	12	1 365 000	1 365 000
Heritage Assets	10	19 750	-
Intangible Assets	13	231 768	342 805
Assets Held for Sale	11	582 493	-
Investments	14	4 876	3 840
Current Assets		37 023 461	21 550 766
Inventory	15	31 328	32 900
Trade Receivables from exchange transactions	16	2 870 786	3 185 894
Other Receivables from non-exchange transactions	17	249 684	189 596
Unpaid Conditional Government Grants and Receipts	7	1 524 957	7 203 457
Taxes	8	6 063 103	6 798 928
Deposits		4 300	-
Cash and Cash Equivalents	41	26 279 303	4 139 991
Total Assets		147 484 352	110 430 212

John Taolo Gaetsewe District Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
REVENUE			
Revenue from Non-exchange Transactions		66 279 210	50 446 986
Taxation Revenue		865 784	21 681
Property taxes	19	865 784	21 681
Transfer Revenue		65 413 393	49 915 284
Government Grants and Subsidies	20	65 413 393	49 915 284
Public Contributions and Donations		-	-
Contributed Property, Plant and Equipment		-	-
Other Revenue		33	510 021
Fines		33	-
Levies		-	510 021
Revenue from Exchange Transactions		138 153 739	47 465 905
Property Rates - penalties imposed and collection charges		-	-
Service Charges	23	7 654 650	5 544 882
Rental of Facilities and Equipment		44 196	57 006
Interest Earned - external investments	24	1 594 626	1 814 455
Interest Earned - outstanding receivables	25	35 335	-
Workshop Income		2 432 666	-
Other Income - Projects		85 060 923	33 870 530
Other Income	26	41 331 343	6 179 032
Total Revenue		204 432 949	97 912 891
EXPENDITURE			
Employee related costs	27	35 836 406	34 028 767
Remuneration of Councillors	28	3 286 132	2 877 509
Debt Impairment	29	350 000	-
Collection Costs		55 656	46 264
Depreciation and Amortisation	30	3 785 713	4 039 535
Repairs and Maintenance		5 616 252	6 999 688
Actuarial Losses	4	-	452 024
Finance Costs	31	378 264	1 633 624
Bulk Purchases	32	5 631 414	4 775 692
Project Cost		100 801 063	39 524 769
Grants and Subsidies Paid	33	66 667	80 000
General Expenses	34	14 483 059	8 286 813
Bad Debts		1 496 054	-
Total Expenditure		171 786 680	102 744 685
Operating Surplus for the Year		32 646 269	(4 831 794)
Gains/(Loss) on Sale of Assets			
(Impairment loss)/Reversal of impairment loss		(214 717)	
Profit/(Loss) on Fair Value Adjustments			
NET SURPLUS/(DEFICIT) FOR THE YEAR		32 431 552	(4 831 794)
Refer to Appendix E(1) for explanation of variances			

John Taolo Gaetsewe District Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Capital Replacement Reserve	Donations and Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 1 July 2008	-	43 279 599	800 000	11 690 944	17 545 631	73 316 174
Correction of Error - note					233 534	233 534
Correction of Error - note					(1 386 936)	(1 386 936)
Change in Accounting Policy - note						-
Restated balance	-	43 279 599	800 000	11 690 944	16 392 229	72 162 772
Net Surplus/(Deficit) for the year						-
Transfer to/from CRR						-
Property, Plant and Equipment purchased	-	-	-	-	-	-
Capital Grants used to purchase PPE						-
Transfer to Housing Development Fund						-
Asset Disposals						-
Offsetting of depreciation						-
Balance at 30 June 2009	-	43 279 599	800 000	11 690 944	16 392 229	72 162 772
Correction of Error - note	-	-	-	-	-	-
Change in Accounting Policy - note						-
Restated balance	-	43 279 599	800 000	11 690 944	16 392 229	72 162 772
Net Surplus/(Deficit) for the year					32 431 552	32 431 552
Transfer	1 447 240		150 000		(1 597 240)	-
Equitable Share- previous years					(4 577 750)	(4 577 748)
Property, Plant and Equipment purchased	(1 274 223)				1 274 224	(1)
Capital Grants used to purchase PPE		24 174 650			(24 174 650)	-
Capital Replacement Reserve Written Back	-				-	-
Capital Financed from Income Account (Grant)					19 750	19 750
Offsetting of depreciation		(1 790 967)		(331 565)	2 122 532	-
Correction Curret Year Deficit					-	-
Balance at 30 June 2010	173 017	65 663 282	950 000	11 359 379	21 890 647	100 036 325

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		256 250 540	153 389 416
Cash paid to suppliers and employees		(209 191 176)	(161 150 711)
Cash generated/(absorbed) by operations	40	47 059 364	(7 761 295)
Interest Received		1 629 961	1 814 455
Interest Paid		(378 264)	(1 633 624)
Net Cash from Operating Activities		48 311 061	(7 580 464)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(25 427 124)	(2 135 495)
Proceeds on Disposal of Fixed Assets		(582 493)	
(Increase)/Decrease in Asstes held for sale			
(Increase)/Decrease in Investment Properties			
(Increase)/Decrease in Non-current Investments		(1 036)	-
Net Cash from Investing Activities		(26 010 653)	(2 135 495)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(161 096)	712 044
Net Cash from Financing Activities		(161 096)	712 044
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22 139 312	(9 003 915)
Cash and Cash Equivalents at the beginning of the year		4 139 991	13 143 906
Cash and Cash Equivalents at the end of the year	41	26 279 303	4 139 991
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22 139 312	(9 003 915)

John Taolo Gaetsewe District Municipality

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES	78 145 678	55 770 543
Capital Replacement Reserve	173 017	
Capitalisation Reserve		
Government Grant Reserve		
Donations and Public Contribution Reserve	65 663 282	43 279 599
Self Insurance Reserve	950 000	800 000
Revaluation Reserve	11 359 379	11 690 944
Total Net Asset Reserve and Liabilities	78 145 678	55 770 543
	R	R
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	4 469 180	4 630 277
Local Registered Stock		
Hire Purchase		
Capitalised Lease Liability - At amortised cost	-	3 034
	4 469 180	4 633 311
Less: Current Portion transferred to Current Liabilities	161 096	169 309
Annuity Loans - At amortised cost	161 096	169 309
Local Registered Stock		
Hire Purchase		
Capitalised Lease Liability - At amortised cost		
	4 308 084	4 464 002
Plus: Unamortised charges on loans	-	-
Balance 1 July		
Adjustment for the period		
Restatement of prior year comparatives		
Total Long-term Liabilities - At amortised cost using the effective interest rate method	4 308 084	4 464 002
	R	R
The obligations under hire purchases are scheduled below:	Minimum lease payments	
Amounts payable under hire purchases:		
Payable within one year	-	3 034
Payable within two to five years		-
Payable after five years		
	-	3 034
Less: Future finance obligations		
Present value of hire purchases obligations	-	3 034

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment

Exemptions taken for leases according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

	2010 R	2009 R
4. NON-CURRENT PROVISIONS		
Provision for Post Retirement Health Care Benefits	14 345 737	12 669 554
Total Non-current Provision Liabilities	14 345 737	12 669 554
	R	R
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	12 669 554	11 807 741
Contribution for the year	2 090 085	1 544 847
Expenditure for the year	(601 398)	(533 660)
Actuarial Loss/(Gain)	187 496	452 024
Total provision 30 June	14 345 737	13 270 952
Less: Transfer of Current Portion to Current Provisions - Note 5	-	(601 398)
Balance 30 June	14 345 737	12 669 554
	R	R
<u>TOTAL NON-CURRENT PROVISIONS</u>		
Balance 1 July	12 669 554	11 807 741
Contribution for the year	2 090 085	1 544 847
Expenditure for the year	(601 398)	(533 660)
Actuarial Loss/(Gain)	187 496	452 024
Total provision 30 June	14 345 737	13 270 952
Less: Transfer of Current Portion to Current Provisions - Note 5	(656 676)	(601 398)
Balance 30 June	13 689 061	12 669 554
	R	R
4.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	70	68
Continuation members (e.g. Retirees, widows, orphans)	22	24
Total Members	92	92
	R	R
The liability in respect of past service has been estimated to be as follows:		
In-service members	5 601 924	5 113 000
Continuation members	8 743 813	8 157 952
Total Liability	14 345 737	13 270 952
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas		
Hosmed		
LA Health		
Key Health, and		
SAMWU Medical Aid		

Key actuarial assumptions used:

i) Rate of interest

	2010 %	2009 %
Discount rate	9.03	8.37
Health Care Cost Inflation Rate	6.99	6.52
Net Effective Discount Rate	1.91	1.74

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

The amounts recognised in the Statement of Financial Position are as follows:

	R	R
Present value of fund obligations	14 345 737	13 270 962
Fair value of plan assets		
	14 345 737	13 270 962
Unrecognised past service cost		
Unrecognised actuarial gains/(losses)		
Present Value of unfunded obligations		
Net liability/(asset)	14 345 737	13 270 962

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

	R	R
Present value of fund obligation at the beginning of the year	13 270 952	11 807 741
Total expenses	887 289	1 011 187
Current service cost	402 142	341 659
Interest Cost	1 086 545	1 203 188
Benefits Paid	(601 398)	(533 660)
Actuarial (gains)/losses	187 496	452 024
Present value of fund obligation at the end of the year	14 345 737	13 270 952

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Increase
Effect on the aggregate of the current service cost and interest cost components	-	966 000
Effect on the defined benefit obligation	-	10 336 000

5. Provisions

	R	R
Bonuses(Including Performance Bonuses)	1 960 088	1 400 469
Staff Leave	1 429 056	1 294 140
Current Portion of Non-Current Provisions	656 676	601 398
Current Portion of Post retirement Benefits-Note 4	656 676	601 398
	4 045 820	3 296 007

Post Retirement Benefits

Balance at the Beginning of Year
 Nett Change

Additional provisions
 Contribution to provision
 Expenditure Incurred
 Transfer from non-current portion
 Balance at Year end

2010**2009**

601 398
 55 278

534 000
 67 398

(601 398)
 656 676

(534 000)
 601 398

656 676**601 398****Staff Leave**

Balance at the Beginning of Year
 Nett Change

Additional provisions
 Expenditure Incurred
 Transfer from non-current portion

Balance Year End

1 294 140
 134 916

1 051 690
 242 450

134 916
 -
 -

242 450
 -
 -

1 429 056**1 294 140****Bonuses**

Balance at Beginning of Year
 Nett Change

Additional provisions
 Contribution to provision
 Expenditure Incurred
 Transfer from non-current portion

Balance at Year End

1 400 469
 559 619

1 661 208
 (260 739)

1 458 364
 (898 745)
 -

1 400 469
 (1 661 208)
 -

1 960 088**1 400 469****TOTAL CURRENT PROVISIONS**

Balance at Beginning of Year
 Nett Change

Additional provisions
 Contribution to provision
 Expenditure Incurred
 Transfer from non-current portion

Balance at Year End

3 296 007
 749 813

3 246 898
 49 109

1 593 280
 -
 (1 500 143)
 656 676

1 642 919
 -
 (2 195 208)
 601 398

4 045 820**3 296 007****6 TRADE AND OTHER PAYABLES**

Trade Payables
 Payments received in advance
 Unspent Funds Thwane
Total Creditors

6 961 868
 457 478
 149 259

3 705 861
 187 770
 425 715

7 568 605**4 319 346****2010
R****2009
R****7. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS****7.1 Conditional Grants from other spheres of Government**

Unspent Grants

National Government Grants
 Provincial Government Grants
 Other Sources

Less: Unpaid Grants

National Government Grants
 Provincial Government Grants
 Other Sources

Total Conditional Grants and Receipts

Unspent Grants and Receipts
 Less: Unspent Funds Thwane-Note 6

17 824 620

12 621 535

6 173 515
 11 637 881
 13 224

9 087 119
 2 761 061
 773 355

(1 524 957)

(7 203 457)

-
 (1 524 957)
 -

(2 957 597)
 (3 230 107)
 (1 015 753)

16 299 663**5 418 078**

17 824 620
 (149 259)
 17 675 361

12 621 535
 (425 715)
 12 195 820

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. The MIG was withheld for months but the full allocation was transferred before year end.

	2010 R	2009 R
8. TAXES		
VAT Payable	-	-
PAYE	R 2 744 924	R 2 744 924
VAT Receivable	3 318 179	4 054 004
	<u>6 063 103</u>	<u>6 798 928</u>
9. SHORT-TERM LOANS	R	R
The Municipality has no short term loans.		
	2010 R	2009 R
10. PROPERTY, PLANT AND EQUIPMENT		
See attached sheet		
11. NON-CURRENT ASSETS HELD FOR SALE	R	R
Non-current assets held for sale at beginning of year - at book value	-	
Additions for the year	582 493	
	<u>582 493</u>	-
Non-current assets sold/written off during the year		
Non-current assets held for sale at end of year - at book value	<u>582 493</u>	-
Exemptions taken for non-current assets held for sale according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.		
12. INVESTMENT PROPERTY	R	R
Net Carrying amount at 1 July	1 365 000	1 365 000
Cost/Valuation	1 365 000	1 365 000
Correction of Error		
Change in Accounting Policy		
Accumulated Depreciation	-	
Transfer to Property, Plant and Equipment	-	-
Cost		-
Accumulated Depreciation		-
Correction of Error-Note 36		-
Acquisitions		-
Fair Value Adjustments		-
Depreciation for the year		
Net Carrying amount at 30 June	1 365 000	1 365 000
Cost/Valuation	1 365 000	1 365 000
Accumulated Depreciation		
The fair value of Investment Properties, as valued by the municipality's valuer, is estimated at:	1 365 000	1 365 000
Exemptions taken for investment property according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.		

	2010 R	2009 R
13. INTANGIBLE ASSETS		
Net Carrying amount at 1 July	342 805	254 438
Cost	-	522 334
Correction of Error		
Change in Accounting Policy		
Accumulated Amortisation	-	(267 896)
Acquisitions	-	155 799
Amortisation	(111 037)	(67 432)
Disposals		
Amortisation written back on disposal		
Impairment Loss/ Reversal of Impairment Loss		
Net Carrying amount at 30 June	231 768	342 805
Cost	678 133	678 133
Accumulated Amortisation	(448 362)	(344 329)
Exemptions taken for intangible assets according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.		
	R -	R -
14. INVESTMENTS		
Financial Instruments		
Unlisted		
Long term deposits	4 876	3 840
Total Investments	4 876	3 840
The average interest rate		
No investments have been pledged as security for any funding facilities of the council.		
Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
	R -	R -
15. INVENTORY		
Consumable Stores - Stationery and materials - At cost		
Maintenance Materials - At cost		
Water - At purification cost	31 328	32 900
Spare Parts - At cost		
Total Inventory	31 328	32 900
The municipality recognised only purchase costs of water for the water inventory.		
	R -	R -
16. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Water	418 042	385 169
Electricity	466 067	199 921
Housing Rentals	-	-
Refuse	88 187	99 835
Sewerage	112 469	147 185
Other Arrears	2 299 162	2 523 132
Total: Trade receivables from exchange transactions (before provision)	3 383 927	3 355 242
Provision for Impairments	(513 141)	(169 348)
Total: Trade receivables from exchange transactions (after provision)	2 870 786	3 185 894
The fair value of other receivables approximate their carrying value.		

(Electricity): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

2010 R	2009 R
265 095	78 711
26 810	56 878
24 270	58 107
149 892	6 225
466 067	199 921

R - R -

(Water): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

361 942	136 663
23 558	214 501
10 935	4 002
21 607	30 003
418 042	385 169

R - R -

(Refuse): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

44 775	38 649
7 356	34 311
4 396	2 078
31 660	24 797
88 187	99 835

R - R -

(Sewerage): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

65 711	60 796
15 349	54 374
3 210	3 063
28 199	28 952
112 469	147 185

R - R -

(Other): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

1 435 359	403 998
289 163	1 798 023
5 037	215 845
2 065 657	105 266
3 795 216	2 523 132

R - R -

(Total): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

2 172 881	718 817
362 236	2 158 087
47 848	283 095
2 297 016	195 243
4 879 981	3 355 242

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2010			
Current (0 - 30 days)	423 928	967 979	780 976
31 - 60 Days	54 270	24 631	283 334
61 - 90 Days	41 664	6 184	-
+ 90 Days	261 122	1 491 090	544 803
Sub-total	780 984	2 489 884	1 609 113
Less: Provision for bad debts	(513 141)		
Total debtors by customer classification	267 843	2 489 884	1 609 113

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commer</u>	<u>National and Provincial Government</u>
30 June 2009			
Current (0 - 30 days)	244 785	316 736	157 296
31 - 60 Days	171 082	1 781 423	205 582
61 - 90 Days	6 971	103 894	172 230
+ 90 Days	56 298	111 930	27 015
Sub-total	479 136	2 313 983	562 123
Less: Provision for bad debts	(169 348)		
Total debtors by customer classification	309 788	2 313 983	562 123

Reconciliation of Provision for Bad Debts

	<u>R</u>	<u>R</u>
Balance at beginning of year	169 348	169 348
Contribution to provision	350 000	-
Bad Debts written off against provision	(6 207)	-
Reversal of provision		
Balance at end of year	513 141	169 348

The total amount of this provision is **R 513 141.00** and consist of:

	<u>R</u>	<u>R</u>
Rates	513 141	169 348
Other Debtors		
Total Provision for Bad Debts on Trade Receivables from exchange transactions	513 141	169 348

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2010 R	2009 R	
17. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Taxes - Rates	249 684	200 326	
Other Debtors	-	-	
	249 684	200 326	
<u>Less:</u> Provision for bad debts	-	-	
Total Other Receivables from non-exchange transactions	249 684	200 326	
The fair value of other receivables approximate their carrying value.			
	R	R	
<u>(Rates): Ageing</u>			
Current (0 - 30 days)	28 592	89 488	
31 - 60 Days	24 708	97 479	
61 - 90 Days	26 517	517	
+ 90 Days	169 867	10 882	
Total	249 684	198 366	
<u>Summary of Debtors (Rates) by Customer Classification</u>			
	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2010			
Current (0 - 30 days)	22 631	4 871	1 090
31 - 60 Days	22 263	1 593	852
61 - 90 Days	24 933	743	842
+ 90 Days	148 046	5 930	15 890
Sub-total	217 873	13 137	18 674
<u>Less:</u> Provision for bad debts			
Total debtors by customer classification	217 873	13 137	18 674
<u>Summary of Debtors (Rates) by Customer Classification</u>			
	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2009			
Current (0 - 30 days)	89 488		
31 - 60 Days	97 479		
61 - 90 Days	517		
+ 90 Days	10 882		
Sub-total	198 366	-	-
<u>Less:</u> Provision for bad debts			
Total debtors by customer classification	198 366	-	-
	2010 R	2009 R	
18. CASH AND CASH EQUIVALENTS			
18.1 <u>Assets</u>			
Call Investments Deposits	24 311 275	4 047 628	
Primary Bank Account	1 966 278	90 613	
Cash Floats	1 750	1 750	
Total Cash and Cash Equivalents - Assets	26 279 303	4 139 991	

19. PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial and State Property
Commercial Property
Industrial Property
Public Benefits Organisations
Agricultural Purposes
State - National/ Provincial Services
Municipal Property
Vacant Property

Less: Rebates

Total Assessment Rates

2010 R	2009 R
-	-
R	R

10 511 057	21 681
10 511 057	21 681
(9 645 273)	(7 355)
865 784	14 326

R	R
-	-

Valuations - 1 July

Rateable Land and Buildings

Stand
Improvement
Building Clause
Public Benefits Organisations
Agricultural Purposes
State - National/ Provincial Services
Municipal Property
Vacant Property

Less: Income Forgone

Total Assessment Rates

1 883 761 000	2 890 801
1 883 601 000	158 701
-	2 572 100
160 000	160 000
-	
	981 000
1 883 761 000	3 871 801

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 1998. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0055 was charged on site values and a rate in the rand of R 0.0055 for improvements. Business were charged at a rate in the rand of R 0.0055 on site values and a rate in the rand of R 0.0055 for improvements.

The basic rate was 0.55 c per Rand on land and buildings (2009 = 0.57 c /R). There are 1500 properties of which 613 are residential.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R15,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 0% on outstanding monthly instalments.

	2010 R	2009 R
20. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	43 120 660	36 878 939
Other - Operating Grants	21 972 733	12 737 345
Other - Capital Grants	320 000	300 000
Total Government Grants and Subsidies	65 413 393	49 916 284
	R -	R -
21. PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions - Conditional	-	-
Public Contributions - Unconditional	-	-
Donations	-	-
Total Public Contributions and Donations	-	-
	R -	R -
22. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Hotazel	18 596 942	
Community Assets - Vanzylsrus	5 552 540	
Total Contributed Property, Plant and Equipment	24 149 482	-
	R -	R -
23. SERVICE CHARGES		
Electricity	3 849 274	2 593 972
Service Charges	3 849 274	2 593 972
Less: Rebates		
Water	2 627 181	1 876 363
Service Charges	2 627 181	1 876 363
Less: Rebates		
Refuse Removal	491 746	428 494
Service Charges	491 746	428 494
Less: Rebates		
Sewerage and Sanitation Charges	686 449	646 053
Service Charges	686 449	646 053
Less: Rebates		
Other Service Charges - Private Works		
Total Service Charges	7 654 650	5 544 882

Revenue (GRAP 9): Initial measurement of fair value is discounting all future receipts using an imputed rate of interest. [SAICA Circular 09/2006 and paragraph 12] **Only for 2008 conversions**

	2010 R	2009 R
24. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 594 626	1 814 455
Financial assets		
Other		
Total Interest Earned - External Investments	1 594 626	1 814 455
	R -	R -
25. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Long-term Receivables		
Trade Receivables	35 335	-
Other Receivables		
Total Interest Earned - Outstanding Receivables	35 335	-
	R -	R -
26. OTHER INCOME		
Admin Fees	1 061 613	3 473 756
Fees Buildingplans	3 416	281
Sundries	-	
Sale of refuse bags	-	
Training	155 671	
Telephone Private	317 397	
Admin Private Jobs	13 763 658	2 704 995
Photostats	164 897	
Donations	24 174 651	
Cemetery fees	190	
Product Related Services	1 689 850	
Total Other Income	41 331 343	6 179 032
	R -	R -
27. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	21 939 811	21 210 930
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7 026 711	5 801 226
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 900 218	4 493 618
Housing Benefits and Allowances	1 062 440	1 076 617
Overtime Payments		
Bonuses	1 772 310	1 203 927
Provision for leave	134 916	242 449
Defined Benefit Plan Expenses - Vested Past Service Cost		
Contribution to provision - Ex-gratia pensions		
Contribution to provision - Long Service Awards		
Contribution to provision - Post Retirement Medical		
	35 836 406	34 028 767
Total Employee Related Costs	35 836 406	34 028 767

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

	2010 R	2009 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration - All Inclusive Package	-	708 380
Traveling Allowance		
Telephone Allowance		
Performance Bonus	-	93 928
Leave Payments	-	86 275
Total	-	888 583
	R	R
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration - All Inclusive Package	618 112	646 912
Car Allowance	28 800	
Acting allowance	86 619	
Performance Bonus	-	56 640
Leave Payments	95 680	44 939
Total	829 211	748 491
	R	R
<i>Remuneration of Manager Corporate Services</i>		
Annual Remuneration - All Inclusive Packages	618 112	646 912
Car Allowance	28 800	
Acting allowance	49 846	37 869
Performance Bonus		
Leave Payments	-	29 669
Total	696 758	714 450
	R	R
<i>Remuneration of Manager Special Projects</i>		
Annual Remuneration - All Inclusive Package	-	657 388
Car Allowance	-	
Telephone allowance	-	
Performance Bonus	-	77 760
Leave payments	-	69 243
Total	-	804 391
	R	R
<i>Remuneration of Manager Technical Services</i>		
Annual Remuneration - All Inclusive Package	657 252	254 614
Car Allowance	28 800	
Telephone allowance		
Performance Bonus	-	80 855
Leave Payments	-	66 459
Total	686 052	401 928

	2010 R	2009 R
Remuneration of Manager Technical Services Replacement		
Annual Remuneration - All Inclusive Package	-	156 248
Car Allowance		
Telephone allowance		
Performance Bonus	-	-
Leave Payments	-	-
Total	-	156 248

	R	R
Remuneration of Manager Development and Planning		
Annual Remuneration - All Inclusive Package	690 775	172 205
Car Allowance	28 800	
Telephone allowance		
Performance Bonus		
Leave Payments	132 228	42 313
Total	851 803	214 518

	R	R
Remuneration of Manager Internal Audit		
Annual Remuneration - All Inclusive Package	-	646 912
Car Allowance		
Telephone allowance		
Performance Bonus		
Leave Payments	-	31 277
Total	-	678 189

28. REMUNERATION OF COUNCILLORS

	R	R
Mayor	610 523	570 579
Speaker	478 120	446 844
Chairpersons of committees	1 485 418	1 679 660
Councillors	712 071	180 426
Travelling allowance		
Telephone allowance		
Pension fund contributions		
Medical aid contributions		
Total Councillors' Remuneration	3 286 132	2 877 509

In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and Speaker may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Signed: Municipal Manager

	2010 R	2009 R
29. DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 16	169 348	169 348
Contribution for the Year	350 000	
Total Contribution to Bad Debts Provision	519 348	169 348
	-	-
30. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	3 672 678	3 963 102
Intangible assets	113 035	76 433
Investment property carried at cost		
Biological assets carried at cost		
Total Depreciation and Amortisation	3 785 713	4 039 535
	-	-
31. FINANCE COSTS		
Long-term Liabilities	378 264	425 969
None-current Provision	-	1 207 655
Total Finance Costs	378 264	1 633 624
	-	-
32. BULK PURCHASES		
Electricity	2 607 168	2 027 737
Water	3 024 246	2 747 955
Total Bulk Purchases	5 631 414	4 775 692
	-	-
33. GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	-	-
Institutions	66 667	80 000
Total Grants and Subsidies	66 667	80 000
	-	-
34. GENERAL EXPENSES		
Travel and Subsistence	1 877 014	1 751 393
Telephone	1 373 930	1 091 834
Fuel and Oil	555 838	1 053 730
Bank Cost	59 610	
Audit Fees(External Audit)	1 303 465	915 734
Short Term Insurance	700 168	588 553
Municipal Services	922 134	519 872
Catering	338 069	432 909
Printing and Stationery	297 378	414 113
Training	449 908	359 008
Contribution to Post Retirement Benefits	1 074 785	338 568
Security Services	414 551	245 844
Mayoral Special Programs	117 124	147 549
Advertisements	90 388	107 410
Communication	371 703	102 990
Disaster Assistance	126 096	
ISRDP/IMBIZO Events	305 928	
Tourism Events	197 829	
Targeted Groups	141 779	
Water Quality	70 767	
Speakers Programmes	17 765	
Advocacy Programmes	58 047	
Books & Publications	14 649	
Household Expenditure	101 673	
Conferences	64 813	
Membership Fees	246 879	
Licences	16 607	
Legal Fees	111 576	
Subsidisation Households	29 802	
DMA Committee	83 110	
Uniforms	18 597	
Rates & Taxes	72 406	
Buildings Rent	9 480	
Study Assistance	59 872	
Records Management	27 150	
Pest Control	12 764	
Idle Time	74 704	
HR Foundation	1 000 583	

	2010 R	2009 R
Capacity Building	15 000	
Risk Assessment	186 360	
Commonage Expenditure	54 201	
Funerals Poor & Needy	4 378	
Internal Audit	294 276	
Administration Cost	1 114 000	
Postage, ect	5 903	217 306
General Expenses	<u>14 483 059</u>	<u>8 286 813</u>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance.

	R	R
35. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(237 880)	-
Total Gain/ (Loss) on Sale of Assets	<u>(237 880)</u>	<u>-</u>

	2010 R	2009 R
36. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	-	-
Total (Impairment Loss)/ Reversal of Impairment Loss	<u>-</u>	<u>-</u>

	R	R
39. CORRECTION OF ERROR IN TERMS OF GRAP 3		
39.1 Property, Plant and Equipment - Grap 17		
Balance previously reported		21 931 524
Property, Plant and Equipment financed through leases previously not recognised - Note 9		30 385
Inventory items not previously reconised - Note 9		180 842
Depreciation written-off on land in previous years		160 130
VAT on Grants not previously transfered to revenue		
Total	<u>-</u>	<u>22 302 881</u>
	2009 R	2008 R

	2009 R	2008 R
39.2 Intangible Assets		
Balance previously reported		-
Implementation of GRAP		
Intangible assets previously not recognised		522 334
Total	<u>-</u>	<u>522 334</u>

39.3 Long-term Liabilities

Balance previously reported:	3 918 232
Implementation of GRAP	
Leases previously not recognised - Note 3	26 636
Restated balance	3 918 232

39.4 Investment Property

Balance previously reported:	-
Implementation of GRAP	
Investment Property previously recognised incorrectly - Note 10	(250)
Depreciation written-off on land of investment property in previous years - Note 10	750
Restated balance	500

39.5 Non-Current Provisions

Balance previously reported	-
Implementation of GRAP	
Post-employment Health Care Benefits previously not recognised - Note 4	(10 220 933)
Restated balance	(10 220 933)

R

39.6 Accumulated Surplus/(Deficit)

Property, Plant and Equipment financed through leases previously not recognised - Note 36.1	30 385
Inventory items previously not recognised - Note 36.1	180 842
Depreciation written-off on land in previous years - Note 36.1	160 130
Intangible assets previously not recognised - Note 36.2	522 334
Leases previously not recognised - Note 36.3	(26 636)
Investment Property previously recognised incorrectly - Note 36.4	(250)
Depreciation written-off on land of investment property in previous years - Note 36.4	750
Post-employment Health Care Benefits previously not recognised - Note 36.5	(10 220 933)
Total	(9 353 378)

39.7 Transfer of Funds

Funds in 2008/2009 received as income, but it was project funds	-1 386 936
	-1 386 936

40. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2010	2009
Surplus/(Deficit) for the year	32 431 552	-4 598 257
Adjustments for:		
Depreciation	3 672 678	3 963 102
Amortisation of Intangible Assets	113 035	67 432
Gain on disposal of property, plant and equipment	-214 717	
Impairments	-	
Contribution from/to provisions - Non-Current - Expenditure incurred	887 289	1 997 211
Contribution from/to provisions - Non-Current - Actuarial losses	187 496	452 024
Contribution to provisions – Bad debt	350 000	
Fair Value Adjustments		
Bad debts written off	-	
Investment income	-1 629 961	-1 814 455
Interest paid	378 264	1 633 624
Operating Surplus/(Deficit) before changes in working capital	36 175 636	1 700 681
Changes in working capital	10 883 728	-9 461 976
Increase/(Decrease) in Provisions	416 061	-552 289
Increase/(Decrease) in Trade and Other Payables	3 249 259	1 650 993
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	6 580 291	-1 488 272
Increase/(Decrease) in Taxes	735 825	5 088 557
(Increase)/Decrease in Inventory	1 572	-3 090
(increase)/Decrease in Deposits	-4 300	
(Increase)/Decrease in Trade Receivables from exchange transactions	-34 892	-2 223 630
(Increase)/Decrease in Other Receivables from non-exchange transactions	-60 088	-771 177
Cash generated/(absorbed) by operations	47 059 364	-7 761 295

		R	
41. CASH AND CASH EQUIVALENTS	2010	2009	
Cash and cash equivalents included in the cash flow statement comprise the following:			
Call Investments Deposits - Note 18	24 311 275	4 047 628	
Cash Floats - Note 18	1 750	1 750	
Bank - Note 18	1 966 278	90 613	
Total cash and cash equivalents	26 279 303	4 139 991	
42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term Liabilities - Note 3		-	
Used to finance property, plant and equipment - at cost		-	
Cash set aside for the repayment of long-term liabilities		-	
Cash invested for repayment of long-term liabilities		-	
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act			
	R	-	R
43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
43.1 <u>Unauthorised expenditure</u>			
Reconciliation of unauthorised expenditure:			
Opening balance	2 280 494	4 745 156	
Unauthorised operating expenditure current year	5 105 636	1 217 946	
Unauthorised grant expenditure current year	-	1 062 548	
Approved by Council or condoned	(7 386 130)	(4 745 156)	
Transfer to receivables for recovery			
Unauthorised expenditure awaiting authorisation	-	2 280 494	
Incident		Disciplinary steps/criminal proceedings	
<i>Over expenditure of approved budget</i>		<i>None</i>	
	R	-	R
43.2 <u>Fruitless and wasteful expenditure</u>			
Reconciliation of fruitless and wasteful expenditure:			
Opening balance	704 169	-	
Fruitless and wasteful expenditure current year	20 717	704 169	
Condoned or written off by Council	(724 886)	-	
Transfer to receivables for recovery - not condoned			
Fruitless and wasteful expenditure awaiting condonement	-	704 169	
The fruitless and wasteful expenditure was due to interest paid on overdue accounts			
	R	-	R
43.3 <u>Irregular expenditure</u>			
Reconciliation of irregular expenditure:			
Opening balance	-	344 716	
Irregular expenditure current year	-	-	
Condoned or written off by Council	-	(344 716)	
Transfer to receivables for recovery - not condoned			
Irregular expenditure awaiting condonement	-	-	
Incident		Disciplinary steps/criminal proceedings	
<i>None</i>		<i>None</i>	

	2010 R	2009 R
44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	233 268	240 314
Amount paid - current year	(233 268)	(240 314)
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
	R	R
44.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 597 741	912 549
External Audit - Auditor-General	1 303 465	912 549
Internal Audit	-	-
Audit Committee	294 276	-
Amount paid - current year	(1 597 741)	(912 549)
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-
	R	R
44.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	4 054 004	1 710 372
Amounts received - current year	-	(3 440 201)
Amounts claimed - current year (payable)	-	5 783 833
Amount paid - current year	(1 468 811)	
Amount paid - previous year		
Closing balance	2 585 193	4 054 004
	R	R
44.4 PAYE SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions	7 060 403	8 911 236
Amount paid - current year	(7 060 403)	(8 911 236)
Balance unpaid (included in creditors)	-	-
	R	R
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	6 687 932	5 688 463
Amount paid - current year	(6 687 932)	(5 688 463)
Amount paid - previous year		
Balance unpaid (included in creditors)	-	-

44.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory				
Insurance				
Other				
Executive & Council	-	47 755		
Corporate Services	10 547	-		
Community Services	-	147 098		
Financial Services				
Technical Services	-	-	1 031 306	
Electrical Services				
Local Economic Development		46 500		
Town Planning				
Strategic Services				
	10 547	241 353	1 031 306	-

45. RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

46. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

(e) Other Risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2010 R	2009 R
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:		
Investments	3 840	3 840
Long Term Receivables	-	-
Trade receivables from exchange transactions	4 879 982	3 389 220
Other receivables from non-exchange transactions	4 044 900	4 804 866
Other Debtors	1 524 957	6 827 988
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	-	-
Bank and Cash Balances	25 166 252	4 139 991
Maximum Credit and Interest Risk Exposures	35 619 931	19 165 905

47. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Fixed Deposits	Held to maturity	3 840	3 840
Long-term Receivables			
Staff Loans	Loans and Receivables		
Consumer Debtors			
Trade receivables from exchange transactions	Loans and Receivables	4 879 982	389 220
Other receivables from non-exchange transactions	Loans and Receivables	4 044 900	4 804 866
Other Debtors			
Other Debtors	Loans and Receivables	1 524 957	6 827 988
Taxes	Loans and Receivables	2 585 193	4 800 565
Government Subsidies and Grants	Loans and Receivables		
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables		
Short-term Investment Deposits			
Call Deposits	Held to maturity	-	
Cash and Cash Equivalents			
Bank Balances	Held to maturity	26 164 502	4 139 991
Cash Floats and Advances	Held to maturity	1 750	1 750

SUMMARY OF FINANCIAL ASSETS		2010 R	2009 R
Held to maturity:			
Investments	Fixed Deposits	3 840	3 840
Short-term Investment Deposits	Call Deposits	-	-
Bank Balances		26 164 502	4 139 991
Cash Floats and Advances		1 750	1 750
		26 170 092	4 145 581
Loans and Receivables			
Long-term Receivables	Staff Loans	-	-
Consumer Debtors	Exchange transactions	4 366 840	389 220
Consumer Debtors	Non-exchange transactions	4 044 900	4 804 866
Other Debtors	Payments made in advance	1 524 957	6 827 988
Other Debtors	Government Subsidies and Grants	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
VAT	VAT	2 585 193	4 800 565
		12 521 890	16 822 639
Total Financial Assets		38 691 982	20 968 220

<u>Financial Liabilities</u>		<u>Classification</u>	R	
Long-term Liabilities				
Annuity Loans		At amortised cost	4 469 180	4 630 277
Capitalised Lease Liability		At amortised cost	-	3 034
Non-current Provisions				
Post-retirement Health Care Benefits		At amortised cost	14 345 737	13 270 952
Provisions				
Performance Bonuses		At amortised cost		
Bonusses		At amortised cost	1 960 088	1 400 469
Staff Leave		At amortised cost	1 429 056	1 294 140
Trade and Other Payables				
Payments received in advance		At amortised cost	457 478	187 770
Unspent Conditional Government Grants and Receipts				
National Government Grants		At amortised cost	7 047 616	9 087 119
Provincial Government Grants		At amortised cost	11 203 615	2 761 061
Other Sources		At amortised cost	13 224	773 355

SUMMARY OF FINANCIAL LIABILITIES

At amortised cost:			
Long-term Liabilities		4 469 181	4 464 002
Non-current Provisions		14 245 737	13 270 952
Provisions		3 389 144	2 694 609
Trade and Other Payables		4 806 241	1 700 948
Unspent Conditional Government Grants and Receipts		18 264 455	12 621 535
Total Financial Liabilities		45 174 758	34 752 046

48. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

	2010 R	2009 R
49. PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.		
	R	R
50. COMPARISON WITH THE BUDGET		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
	R	R
51. CONTINGENT LIABILITY		
Claims against Council	8 669 392	6 589 143
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
<i>Description of events</i>		
Severance Benefit-BM Olivier	8 616 251	6 531 002
Arrear Salary-KW Molete	53 141	53 141
	8 669 392	6 584 143
	R	R
52. RELATED PARTIES		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
52.1 Related Party Loans		
Since 1 July 2002 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are fully paid		
52.2 Other related party transactions		
The following purchases were made during the year where Councillors or staff have an interest:		
<u>Councillor/Staff Member</u>	<u>Entity</u>	
None		
	R	R
53. EXEMPTIONS TAKEN ACCORDING TO DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES		
GRAP 12 Inventories		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment or Agricultural Assets.		
The municipality is currently in a process of measuring all inventories in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following inventories were measured in accordance with the transitional provisions or GRAP 12 and restated retrospectively:		
Water		
Land held for sale		
Other (list)		

	2010 R	2009 R
GRAP 13 Leases		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following finance leases relating to Property, Plant and Equipment, which were not measured in terms of the transitional provisions applicable to GRAP 17:		
Motor Vehicles	None	
Office Equipment	None	
	R	R
GRAP 16 Investment Properties		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.		
The municipality is currently in a process of identifying and measuring all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:		
Land	508 000	508 000
Buildings	857 000	857 000
	1 365 000	1 365 000
	R	R
GRAP 17 Property, Plant and Equipment		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:		
Land		
Small asset items below a R 0.00 threshold previously expensed		
Property, Plant and Equipment financed by way of finance leases		
Property, Plant and Equipment financed by way of provisions		
Property, Plant and Equipment transferred as a result of the transfer of functions		
Componentised infrastructure assets.		
The municipality is currently in a process of identifying all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.		
The municipality did not measure the following, in terms of the transitional provisions		
<ul style="list-style-type: none"> • Review of useful life of item of PPE recognised in the annual financial statements. • Review of the depreciation method applied to PPE recognised in the annual financial statements. • Review of residual values of item of PPE recognised in the annual financial statements. • Impairment of non-cash generating assets. • Impairment of cash generating assets. 		
Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:		
Land		
Refuse tip-sites financed by way of a provision		
Vehicles and Equipment financed by way of finance leases		
Other small assets identified previously expensed		
Accumulated depreciation as a result of the identification of small assets previously expensed		
Changes to accumulated depreciation as a result of the componentising of infrastructure assets		

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GRAP 102 Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

Computer Software
Intangible assets financed by way of finance leases
Intangible assets transferred as a result of the transfer of functions
Servitudes

The municipality is currently in a process of measuring all Intangible Assets in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software
Accumulated amortisation on computer software

2010
R

2009
R

54. PROCESS TO COMPLY FULLY WITH THE IMPLEMENTATION OF GENERAL RECOGNISED ACCOUNTING PRACTICES (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliant financial reporting.

55. COMMITMENTS

Housing Vanzylsrus
Upgrading and extension of sewerage treatment works

174 400.00	988 984.00
<u>3 022 752.00</u>	
<u>3 197 152.00</u>	<u>988 984.00</u>

56. SELF INSURANCE RESERVE

Council have established a Self Insurance Reserve for the replacement of external insurance on certain assets according to a policy council have adopted. This policy become effected in the 2009/2010 financial year.

57. DONATION AND PUBLIC CONTRIBUTION RESERVE

Council have a Donation and Public Donation Reserve for all assets that were donated to council by public institutions and the depreciation on these assets are offset against the accumulated surplus in the Statement of Changes in Net Assets. Currently all these assets are for Hotazel and with the next municipal elections these assets will be transferred to Moshaweng Local Municipality

58. WATER LOSSES AT HOTAZEL

Water distribution losses at Hotazel amount to 130417 Kl or to the amount of R873,780.00 for the financial year.

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 17 – Property, Plant and Equipment

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 24	Impairment of non-current operating assets

GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

7. RESERVES

7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

7.2 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

8. LEASES

8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for

the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

9. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately

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established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

10. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable

estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The District Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(b) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

13.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

13.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

13.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	

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Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance.

13.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

14. INTANGIBLE ASSETS

14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;

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- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

14.3Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is

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determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY

15.1Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

The cost of self-constructed investment property is the cost at date of completion.

15.2Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any

gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

15.5Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

16.1Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly

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probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

16.2Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

17. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18. IMPAIRMENT OF ASSETS

18. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

20.1 Initial Recognition

Financial instruments are initially recognised at fair value.

20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that

the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

20.3Derecognition of Financial Instruments

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

20.4Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

21. REVENUE

21.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

21.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

21.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset.

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. CONTINGENT LIABILITIES

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees.

Other known contingent liabilities are reflected in the financial statements.

27. AGENCY SERVICES

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Financial reporting on agency services is excluded from these statements as the principal requires reports to be submitted for processing on their independent system.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the balance sheet.

28. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

John Taolo Gaetsewe District Municipality

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2010

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2009	11 038 315	49 465 460	21 069 200		10 402	5 584 421	-	87 167 798
Cost	14 466 377	52 334 120	21 083 000	19 750	49 958	10 902 974	-	98 856 179
Original Cost	8 212 911	52 334 120	12 545 618	19 750	49 958	10 902 974	-	84 065 331
Correction of Error - Note	2 639 467							2 639 467
Change in Accounting Policy - Note								-
Revaluation	3 613 999	-	8 537 382	-	-	-	-	12 151 381
Accumulated Depreciation	3 428 062	2 868 660	13 800	-	39 556	5 318 552	-	11 668 630
Original Cost	788 595	2 868 660	13 800	-	39 556	5 318 552	-	9 029 163
Correction of Error - Note	2 639 467							2 639 467
Change in Accounting Policy - Note						-		-
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	117 148	6 443 859				269 175		6 830 182
Capital under Construction	-	18 596 942						18 596 942
Transfers from/(to) Non-current Assets Held for Sale - Note 14	-	-	-	-	-	(582 493)	-	(582 493)
Cost						(1 855 278)		(1 855 278)
Accumulated Depreciation						1 272 785		1 272 785
Transfers from/(to) Investment Properties - Note 15	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Transfers from/(to) Intangible Assets - Note 16	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Revaluations								
Depreciation	(403 623)	(1 781 337)	(13 800)	-	(10 402)	(1 351 297)	-	(3 560 459)
Normal Depreciation	(403 623)	(1 781 337)	(13 800)		(10 402)	(1 351 297)		(3 560 459)
Backlog Depreciation previously not recorded								-
Carrying value of disposals	-	(59 563)	-	-	-	(372 321)	-	(431 884)
Cost		(63 141)				(527 475)		(590 616)
Accumulated Depreciation		3 578				155 154		158 732
Impairment losses	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Carrying value at 30 June 2010	10 751 840	72 665 361	21 055 400	19 750	-	3 764 653	-	108 257 004
Cost	14 583 525	78 640 075	21 083 000	19 750	-	8 789 396	-	123 115 746
Original Cost	10 969 526	78 640 075	21 083 000	19 750	-	8 789 396		119 501 747
Revaluation	3 613 999	-	-					3 613 999
Accumulated Depreciation	3 831 685	4 646 419	27 600	-	-	5 024 743	-	13 530 447
Original Cost	3 831 685	4 646 419	27 600		-	5 024 743		13 530 447
Revaluation								-

10.2 30 JUNE 2009

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2008	10 891 833	51 209 846	21 083 000	-	20 393	5 415 843	-	88 620 915
Cost	11 268 750	52 334 120	21 083 000	-	49 958	9 325 639	-	94 061 467
Original Cost	7 654 751	52 334 120	12 545 618	-	49 958	9 325 639	-	81 910 086
Correction of Error - Note								-
Change in Accounting Policy - Note								-
Revaluation	3 613 999	-	8 537 382	-	-	-	-	12 151 381
Accumulated Depreciation	788 595	2 868 660	13 800	-	39 556	5 318 552	-	9 029 163
Original Cost	788 595	2 868 660	13 800	-	39 556	5 318 552	-	9 029 163
Correction of Error - Note								-
Change in Accounting Policy - Note								-
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	282 259					1 577 335		1 859 594
Capital under Construction	275 901							275 901
Transfers from/(to) Non-current Assets Held for Sale - Note 14	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Transfers from/(to) Investment Properties - Note 15	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Transfers from/(to) Intangible Assets - Note 16	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Revaluations								
Depreciation	(411 678)	(1 744 386)	(13 800)	-	(9 991)	(1 408 757)	-	(3 588 612)
Normal Depreciation	(411 678)	(1 744 386)	(13 800)		(9 991)	(1 408 757)		(3 588 612)
Backlog Depreciation previously not recorded								-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Impairment losses	-	-	-	-	-	-	-	-
Cost								-
Accumulated Depreciation								-
Carrying value at 30 June 2009	11 038 315	49 465 460	21 069 200	-	10 402	5 584 421	-	87 167 798
Cost	11 826 910	52 334 120	21 083 000	-	49 958	10 902 974	-	96 196 962
Original Cost	8 212 911	52 334 120	12 545 618		49 958	10 902 974		84 045 581
Revaluation	3 613 999	-	8 537 382					12 151 381
Accumulated Depreciation	788 595	2 868 660	13 800	-	39 556	5 318 552	-	9 029 163
Original Cost	788 595	2 868 660	13 800		39 556	5 318 552		9 029 163
Revaluation								-

10.3 Details of Valuation

The effective date of the revaluations was 30 June 2008. Revaluations were performed by an independent valuers, **Valudata**. The valuers are not connected to the municipality. Land and Buildings are revalued independently every 4 years.

APPENDIX A

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30/06/2009	Received during the period	Redeemed written off during the period	Balance at 30/06/2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LONG-TERM LOANS									
Total Long-term Loans									
ANNUITY LOANS									
DBSA	10.848%	NC 101797		1 738 662	-	42 010	1 696 652	902 967	-
DBSA	11.640%	NC 102567		2 891 614	-	119 086	2 772 528	5 763 423	-
Total Annuity Loans				4 630 276	-	161 096	4 469 180	6 666 390	-
GOVERNMENT LOANS									
Other				-	-	-	-	-	-
Total Government Loans				-	-	-	-	-	-
LEASE LIABILITY									
Office Equipment				-	-	-	-	-	-
Total Lease Liabilities				-	-	-	-	-	-
TOTAL EXTERNAL LOANS				4 630 276	-	161 096	4 469 180	6 666 390	-

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Journal	Closing Balance	Opening Balance	Additions	Disposals Income	Journal	Closing Balance	
Land and Buildings												
Land	3 092 400	-	-	-		3 092 400	-	-	-		-	3 092 400
Buildings	8 734 510	117 148	-	-	2 639 467	11 491 125	788 595	403 623	-	2 639 467	3 831 685	7 659 440
	11 826 910	117 148	-	-	2 639 467	14 583 525	788 595	403 623	-	2 639 467	3 831 685	10 751 840
Infrastructure	-											
Infrastructure	52 334 120	6 443 859	18 596 942	63 141		77 311 780	2 868 660	1 781 337	3 578		4 646 419	72 665 361
Roads and Streets	-	-	-	-		-	-	-	-		-	-
Beach Improvements	-	-	-	-		-	-	-	-		-	-
Sewerage Mains and Purification	-	-	-	-		-	-	-	-		-	-
Electricity mains	-	-	-	-		-	-	-	-		-	-
Electricity Peak Load equipment	-	-	-	-		-	-	-	-		-	-
Water Mains & Purification	-	-	-	-		-	-	-	-		-	-
Water Reservoirs	-	-	-	-		-	-	-	-		-	-
Water Meters	-	-	-	-		-	-	-	-		-	-
Water Mains	-	-	-	-		-	-	-	-		-	-
Landfill Sites	-	-	-	-		-	-	-	-		-	-
	52 334 120	6 443 859	18 596 942	63 141		77 311 780	2 868 660	1 781 337	3 578		4 646 419	72 665 361
Community Assets												
Farms	21 083 000	-	-	-		21 083 000	13 800	13 800	-		27 600	21 055 400
Libraries	-	-	-	-		-	-	-	-		-	-
Recreation Grounds	-	-	-	-		-	-	-	-		-	-
Civic Buildings	-	-	-	-		-	-	-	-		-	-
	21 083 000	-	-	-		21 083 000	13 800	13 800	-		27 600	21 055 400
Heritage Assets	-	19 750				19 750					-	19 750
Total carried forward	85 244 030	6 580 757	18 596 942	63 141	2 639 467	112 998 055	3 671 055	2 198 760	3 578	2 639 467	8 505 704	104 492 351

APPENDIX B
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Journal	Closing Balance	Opening Balance	Additions	Disposals Income	Journal	Closing Balance	
Total brought forward	85 244 030	6 580 757	18 596 942	63 141	2 639 467	112 998 055	3 671 055	2 198 760	3 578	2 639 467	8 505 704	104 492 351
Lease Assets												
Office Equipment (Lease)	49 958	-	-	49 958		-	39 556	10 402	49 958		-	-
Other Assets												
Other Assets	10 902 974	269 175	-	2 382 753		8 789 396	5 318 552	1 351 297	1 645 106		5 024 743	3 764 653
Furniture and Fittings	-	-	-	-		-	-	-	-		-	-
Bins and Containers	-	-	-	-		-	-	-	-		-	-
Emergency equipment	-	-	-	-		-	-	-	-		-	-
Motor Vehicles	-	-	-	-		-	-	-	-		-	-
Fire Engines	-	-	-	-		-	-	-	-		-	-
Refuse Tankers	-	-	-	-		-	-	-	-		-	-
Computer Equipment	-	-	-	-		-	-	-	-		-	-
Councillors Regalia	-	-	-	-		-	-	-	-		-	-
Conservancy Tankers	-	-	-	-		-	-	-	-		-	-
Water crafts	-	-	-	-		-	-	-	-		-	-
	10 902 974	269 175	-	2 382 753		8 789 396	5 318 552	1 351 297	1 645 106		5 024 743	3 764 653
Total	96 196 962	6 849 932	18 596 942	2 495 852	2 639 467	121 787 451	9 029 163	3 560 459	1 698 642	2 639 467	13 530 447	108 257 004

APPENDIX C
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Journal	Closing Balance	Opening Balance	Additions	Disposals Income	Journal	Closing Balance	
Executive & Council	6 769 088	19 750	-	-		6 788 838	3 929 325	944 512	-		4 873 837	1 915 001
Finance & Admin	39 429 784	194 890	-	2 382 753	2 639 467	39 881 388	1 725 207	660 781	1 645 106	2 639 467	3 380 349	36 501 039
Planning & Development	61 700	-	-	-		61 700	18 951	33 073	-		52 024	9 676
Health	-	-	-	-		-	-	-	-		-	-
Community & Social Services	950 082	-	-	-		950 082	276 698	32 739	-		309 437	640 645
Housing	-	-	-	-		-	-	-	-		-	-
Public Safety	2 547 922	184 504	-	-		2 732 426	286 940	81 340	-		368 280	2 364 146
Sport & Recreation	-	-	-	-		-	-	-	-		-	-
Environmental Protection	-	-	-	-		-	-	-	-		-	-
Waste Management	-	-	-	-		-	-	-	-		-	-
Road Transport	536 577	6 929	-	49 958		493 548	178 177	26 677	49 958		154 896	338 652
Water	-	-	-	-		-	-	-	-		-	-
Electricity	-	-	-	-		-	-	-	-		-	-
Other	45 901 809	6 443 859	19 925 237	63 141		72 207 764	2 613 865	1 781 337	3 578		4 391 624	67 816 140
	96 196 962	6 849 932	19 925 237	2 495 852	2 639 467	123 115 746	9 029 163	3 560 459	1 698 642	2 639 467	13 530 447	109 585 299

APPENDIX D

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
4 390 930	9 474 926	(5 083 996)	Executive & Council	35 103 820	11 225 389	23 878 431
40 385 672	21 866 749	18 518 923	Finance & Admin	44 465 920	21 413 678	23 052 242
21 219	5 729 557	(5 708 338)	Planning & Development	22 897	6 912 640	(6 889 743)
-	-	-	Health	-	-	-
26 160	4 840 946	(4 814 786)	Community & Social Services	8 770	4 589 630	(4 580 860)
-	-	-	Housing	-	-	-
800 713	2 374 137	(1 573 424)	Public Safety	853 034	2 668 400	(1 815 366)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	-	-	Waste Management	-	-	-
6 477 848	11 491 564	(5 013 716)	Road Transport	27 382 190	29 981 431	(2 599 241)
-	-	-	Water	-	-	-
-	-	-	Electricity	-	-	-
45 810 349	50 751 922	(4 941 573)	Other	92 736 986	95 232 809	(2 495 823)
97 912 891	106 529 801	(8 616 910)	Sub Total	200 573 617	172 023 977	28 549 640
-	(3 785 116)	3 785 116	Less Inter-Departmental Charges	-	(2 434 961)	2 434 961
97 912 891	102 744 685	(4 831 794)	Total	200 573 617	169 589 016	30 984 601

APPENDIX E(1) (NOT AUDITED)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates					Variance relates to the rebates and discounts on property rates. The MPRA implemented for the ist
	865 784	10 511 057	(9 645 273)	-91.76%	time during 2009/10
Government Grants and Subsidies	65 844 316	61 722 398	4 121 918	6.68%	
Fines	33	500	(467)	-93.40%	Relates to library fines on lost books
Levies (RSC)	-	-	-	0.00%	
Service Charges	7 654 650	8 325 400	(670 750)	-8.06%	
Rental of Facilities and Equipment	44 196	104 500	(60 304)	-57.71%	Over budgeted for rental of buildings
Workshop Income	2 432 666	3 243 638	(810 972)	-25.00%	
Interest Earned - External Investments	1 593 591	1 000 000	593 591	59.36%	
Interest Earned - Debtors	35 335	-	35 335	0.00%	
Other Income					Received donated assets from Hotazel as
	42 639 888	8 831 786	33 808 102	382.80%	income and not included in the budget
Other Income - Projects	79 463 158	82 541 343	(3 078 185)	-3.73%	
Gains on Disposal of PPE		-	-	0.00%	
Reversal of Impairment Loss		-	-	0.00%	
Changes in Fair Value		-	-	0.00%	
Inventory: Reversal of write-down to Net					
Realisable Value		-	-	0.00%	
Total Revenue	200 573 617	176 280 622	24 292 995	13.78%	
EXPENDITURE					
Executive and Council	11 225 389	11 173 390	51 999	0.47%	
Finance & Admin	21 413 678	34 426 162	(13 012 484)	-37.80%	Savings on subvotes
Planning & Development	6 912 640	7 974 043	(1 061 403)	-13.31%	Savings on subvotes
Community & Social Services	4 589 630	5 511 564	(921 934)	-16.73%	Savings on subvotes
Public Safety	2 668 400	4 647 246	(1 978 846)	-42.58%	Savings on subvotes
Road Transport	29 981 431	27 722 073	2 259 358	8.15%	
Other	95 232 809	92 438 530	2 794 279	3.02%	
Less: Interdepartmental Charges	(2 434 961)	(3 252 639)	817 678	-25.14%	
Total Expenditure	169 589 016	180 640 369	(11 051 353)	-6.12%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	30 984 601	(4 359 747)	35 344 348	-810.70%	

APPENDIX E (2) (NOT AUDITED)
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	90 322	-	90 322	117 000	(26 678)	-22.80%	Savings
Finance & Admin	88 735	-	88 735	100 000	(11 265)	-11.27%	Savings
Planning & Development	-	-	-	-	-	0.00%	
Health	-	-	-	-	-	0.00%	
Community & Social Services	-	-	-	-	-	0.00%	
Housing	-	-	-	-	-	0.00%	
							Assets donated to Local Municipalities
Public Safety	201 845	-	201 845	639 200	(437 355)	-68.42%	bought under projects
Sport & Recreation	-	-	-	-	-	0.00%	
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	-	-	-	-	-	0.00%	
Road Transport	-	-	-	-	-	0.00%	
Water	-	-	-	-	-	0.00%	
Electricity	-	-	-	-	-	0.00%	
Other	-	-	-	5 000 000	(5 000 000)	-100.00%	-
Total	380 902	-	380 902	5 856 200	(5 475 298)	-0.934957481	

APPENDIX F

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2010	Unspent 30 June 2010 (Creditor)	Unpaid 30 June 2010 (Debtor)
Municipal Systems Impr Grant	270 357	755 000	-	-	(558 465)	-	466 892	466 892	
Equitable Share Council Allowances		362 660			(362 660)		-		
Finance Management Grant	1 678 818	750 000	-	-	(937 864)	-	1 490 954	1 490 954	
Equitable Share	-	10 432 592	-	-	(10 432 592)	-	-		
Provincial Road Subsidy	-	3 136 667	-	-	(3 136 667)		-		
Provincial Grand: Near	-	532 000	-	-	(532 000)		-		
Provincial Grand: Fire	-	320 000	-	-	(320 000)		-		
Levy Replacement Grant	-	28 146 000	-	-	(28 146 000)		-		
Municipal Infrastructure Grant		-			-		-		
	1 949 175	44 434 919	-	-	(44 426 248)	-	1 957 846		
Municipal Infrastructure Grant	2 306 397	19 103 000	-	-	(17 283 498)	-	4 125 899	4 125 899	
Donkey and Human Drawn Carts	12 192		-	-	(12 192)		-	-	
IDP Review	4 504		-	-	(4 504)		-	-	
Sanitation Households	5 451		-	-	(5 451)		-	-	
Health Section 78 Report	14 936		-	-	(14 936)		-	-	
Sanitation Households	85 574		-	-	(85 574)		-	-	
SETA Training	16 678	12 000	-	-	(28 678)		-	-	
EPWP Donkey Carts	56 353		-	-	(56 353)		-	-	
Housing Accreditation	715 294	1 048 037	-	-	(1 393 080)	-	370 251	370 251	
Library Grant: Magazines	551	-	-	-	(551)		-	-	
Library Grant: Development	14 133	169 000	-	-	(183 133)		-	-	
HIV/AIDS Council	73 168	-	-	-	(2 450)	-	70 718	70 718	
Sanitation Schools	(655 045)	655 045	-	-	-	-	-	-	-
Kgalagadi Projects	66 554	-	-	-	(66 554)	-	-	-	
Main Road Maintenance	(1 461 632)	20 181 251	-	-	(17 480 392)	-	1 239 227	1 239 227	-
DWAFF Awareness	16 433	-	-	-	(16 433)	-	-	-	
Housing Vanzylsrus	1 589 035	-	-	-	(1 589 035)	-	-	-	
EPWP Schools Project	(1 544 624)	2 080 448	-	-	(535 824)	-	-	-	-
Health	8 922	-	-	-	(8 922)	-	-	-	
Asbestos Roads 08/09	(130 618)	4 043 450	-	-	(3 043 368)	-	869 464	869 464	-
Sanitation Clinics	37 883	-	-	-	(37 883)	-	-	-	
Commonage Farms	425 715	-	-	-	(276 456)	-	149 259	149 259	
Unsafe Schools Project	816 404	-	-	-	(816 404)	-	-	-	
Titan Intern Graduation Project	(342 500)	645 000	-	-	(302 500)	-	-	-	-

School Sanitation Project	3 803 248	27 300 000	-	-	(31 013 478)	-	89 770	89 770	
Fencing of Roads: Candem & Bend	368 782	1 050 000	-	-	(136 346)	-	1 282 436	1 282 436	
School Refurbishment	-	3 000 000	-	-	(3 000 000)	-	-	-	
MR 938 Mamathwan	-	6 000 185	-	-	(6 000 185)	-	-	-	-
Housing Vanzylsrus Fase 3	-	5 548 434	-	-	(2 382 131)	-	3 166 303	3 166 303	
T/R 5/5	-	1 833 122	-	-	(1 833 122)	-	-	-	
Spot Regraveling	-	11 579 487	-	-	(7 461 946)	-	4 117 541	4 117 541	
Moshaweng Water	-	227 687	-	-	(214 463)	-	13 224	13 224	
Taxi Ranks	-	345 684	-	-	(87 710)	-	257 974	257 974	
Debushing	-	935 926	-	-	(2 460 883)	-	(1 524 957)	-	1 524 957
Sport Development	217	-	-	-	(217)	-	-	-	
Umsobomvu Youth Advisory Centre	(86 907)	369 312	-	-	(282 405)	-	-	-	-
Fencing of Roads 08/09	(586 346)	586 346	-	-	-	-	-	-	-
Vanzylsrus Housing Retention	222 955	191 186	-	-	(299 433)	-	114 708	114 708	-
Donations	10 981	-	-	-	(10 981)	-	-	-	
Total	7 813 863	151 339 519	-	-	(142 853 719)	16 299 663	17 824 620	1 524 957	
	-	-	-	-	-	-	-	-	
Unspent Funds	-	-	-	-	-	-	-	-	
Creditors Commonage	-	-	-	-	-	-	-	-	